

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Santa Fe Post Office
Santa Fe, Missouri

Docket No. A2012-120

ORDER AFFIRMING DETERMINATION

(Issued May 3, 2012)

I. INTRODUCTION

On December 15, 2011, the Postal Service advised the Commission that it “will delay the closing or consolidation of any Post Office until May 15, 2012.”¹ The Postal Service further indicated that it “will proceed with the discontinuance process for any Post Office in which a Final Determination was already posted as of December 12, 2011, including all pending appeals.” *Id.* It stated that the only “Post Offices” subject to closing prior to May 16, 2012 are those that were not in operation on, and for which a Final Determination was posted as of, December 12, 2011. *Id.* It affirmed that it “will not close or consolidate any other Post Office prior to May 16, 2012.” *Id.* at 2. Lastly,

¹ United States Postal Service Notice of Status of the Moratorium on Post Office Discontinuance Actions, December 15, 2011, at 1 (Notice).

the Postal Service requested the Commission “to continue adjudicating appeals as provided in the 120-day decisional schedule for each proceeding.” *Id.*

The Postal Service’s Notice outlines the parameters of its newly announced discontinuance policy. Pursuant to the Postal Service’s request, the Commission will fulfill its appellate responsibilities under 39 U.S.C. § 404(d)(5).

On January 18, 2012, Valena Booth (Petitioner Booth) filed a petition with the Commission seeking review of the Postal Service’s Final Determination to close the Santa Fe, Missouri post office (Santa Fe post office).² An additional petition for review was received from Robert Young (Petitioner Young).³ The Final Determination to close the Santa Fe post office is affirmed.⁴

II. PROCEDURAL HISTORY

On February 3, 2012, the Commission established Docket No. A2012-120 to consider the appeal, designated a Public Representative, and directed the Postal Service to file its Administrative Record and any responsive pleadings.⁵

On February 3, 2012, the Postal Service filed the Administrative Record with the Commission.⁶ The Postal Service subsequently filed a notice of supplemental filing to include the round-date stamped cover sheets on the Final Determination posted at the

² Petition for Review received from Valena Booth regarding the Santa Fe, Missouri post office 65282, January 18, 2012 (Booth Petition).

³ Petition for Review received from Robert F. Young regarding the Santa Fe, Missouri post office 65282, January 20, 2012 (Young Petition).

⁴ The Commission is divided equally, 2-2, on the outcome of this appeal. In the absence of a majority, the Final Determination stands.

⁵ Order No. 1198, Notice and Order Accepting Appeal and Establishing Procedural Schedule, February 3, 2012.

⁶ The Administrative Record is attached to the United States Postal Service Notice of Filing, February 3, 2012 (Administrative Record). The Administrative Record includes, as Item No. 35, the Final Determination to Close the Santa Fe, Missouri Post Office and Continue to Provide Service by Highway Contract Route Service (Final Determination). The Postal Service moved to file the Administrative Record one day out of time due to the press of business. Motion of the United States Postal Service for Late Acceptance of Administrative Record, February 3, 2012. The motion is granted.

Santa Fe and Paris post offices.⁷ The Postal Service filed comments requesting that the Commission affirm its Final Determination.⁸

On April 2, 2012, the Public Representative filed a reply brief.⁹

III. BACKGROUND

This appeal contains one of the first administrative records generated for a post office closing appeal since the Postal Service implemented its new closing procedures. While the Postal Service may change its procedures, the Final Determination in this appeal is missing certain relevant information that the Commission has found helpful in reviewing previous appeal cases, *e.g.*, the number of post office boxes available at the receiving post office, and whether there are permit customers. *Compare* the pre-existing and new PS Form 4920.

The omissions in this appeal are *de minimis*, an apparent by-product of newly-implemented procedures, and do not materially affect any party. However, going forward, it is expected that the Postal Service will ensure the administrative records and final determinations to close post offices are complete and contain all the information necessary for appellate review of the Postal Service's decision.

The Santa Fe post office provides retail postal services. Final Determination at 2. There are a total of 67 delivery customers served via a highway contract route and, according to the Postal Service, no post office box customers. *Id.* at 7; Administrative Record, Item No. 1 (revised) at 1; Postal Service Comments at 2. The Santa Fe post office, an EAS-53 level facility, provides retail service from 11:00 a.m. to 3:00 p.m., Monday through Saturday. Final Determination at 2. Lobby access hours at the Santa Fe post office are not indicated in the record.

⁷ United States Postal Service Notice of Supplemental Filing, March 13, 2012 (Supplemental Filing).

⁸ United States Postal Service Comments Regarding Appeal, March 13, 2012 (Postal Service Comments).

⁹ Public Representative Comments, April 2, 2012 (PR Comments). On April 2, 2012, the Public Representative filed a Motion for Late Acceptance of Comments. That motion is granted.

The postmaster position at the Santa Fe post office is not vacant and a postmaster relief (PMR) is also assigned to the unit. *Id.* at 2, 6. Retail workload is declining, but the Final Determination does not provide the number of retail transactions. *Id.* at 2. Post office receipts for the last 3 years were \$7,689 in FY 2009; \$6,773 in FY 2010; and \$6,091 in FY 2011. *Id.* By closing this post office, the Postal Service estimates first year savings of \$30,493 and the net present value of 10-year savings is \$246,954. *Id.* at 6; Administrative Record, Item No. 8 (revised) at 1.

After the closure, retail services will be provided by the Paris post office located approximately 17 miles away.¹⁰ Final Determination at 2. Delivery service will be provided by highway contract route service through the Paris post office. *Id.* at 7. The Paris post office is an EAS-16 level post office, with retail hours of 8:45 a.m. to 1:00 p.m. and 2:00 p.m. to 4:00 p.m., Monday through Friday, and 8:15 a.m. to 9:15 a.m. on Saturday. *Id.* at 2. The record does not indicate whether post office boxes are available at the Paris post office.

After the closure, retail services will also be available at the Perry post office located approximately 11 miles away.¹¹ *Id.* The Postal Service asserts that Post Office Box service is available at the Paris post office. Postal Service Comments at 3. The Perry post office is an EAS-15 level post office, with retail hours of 8:30 a.m. to 11:00 a.m. and 12:30 p.m. to 3:45 p.m., Monday through Friday, and 8:30 a.m. to 9:30 a.m. on Saturday. *Id.* The Postal Service will continue to use the Santa Fe name and ZIP Code and a carrier route address will be assigned. *Id.* at 5, Concern No. 1.

IV. PARTICIPANT PLEADINGS

Petitioners. Petitioners oppose the closure of the Santa Fe post office. It is asserted that the post office is the heart of the small Santa Fe community. Booth

¹⁰ MapQuest estimates the driving distance between the Santa Fe and Paris post offices to be approximately 17.2 miles (25 minutes driving time).

¹¹ MapQuest estimates the driving distance between the Santa Fe and Perry post offices to be approximately 11.1 miles (17 minutes driving time).

Petition at 1. Petitioners question whether closing such a small post office will result in significant cost savings for the Postal Service. Booth Petition at 1; Young Petition at 1.

Postal Service. The Postal Service argues that the Commission should affirm its determination to close the Santa Fe post office. Postal Service Comments at 2. The Postal Service believes the appeal raises three main issues: (1) the effect on postal services; (2) the impact on the Santa Fe community; and (3) economic savings expected to result from discontinuing the Santa Fe post office. *Id.* at 1. The Postal Service asserts that it has given these and other statutory issues serious consideration and concludes that the determination to discontinue the Santa Fe post office should be affirmed. *Id.* at 2.

The Postal Service explains that its decision to close the Santa Fe post office was based on several factors, including:

- a minimal workload and declining office revenue;
- a variety of other delivery and retail options (including the convenience of carrier delivery and retail service);
- minimal impact on the community; and
- expected financial savings.

Id. at 4. The Postal Service contends that it will continue to provide regular and effective postal services to the Santa Fe community when the Final Determination is implemented. *Id.*

The Postal Service also asserts that it has followed proper procedures and has considered the effect of closing the Santa Fe post office on the provision of postal service and on the Santa Fe community, the economic savings, and the effect on postal employees. *Id.* at 11.

Public Representative. The Public Representative notes that the Administrative Record in this case relies upon the new PO-101 Handbook of Discontinuance Procedures (2011 Version) and that certain information contained in previous standardized forms are missing from the record. For instance, she contends data such

as the number of post office boxes at the Santa Fe and Paris post offices and workload information are missing. PR Comments at 1-2. She says that none of the Postal Service's forms or summaries mentions post office box holders at the Santa Fe post office, and the record does not indicate available post office boxes at the Paris post office. However, she notes, some customer questionnaires indicate there are post office box holders at the Santa Fe post office. *Id.* at 3 n.6.

The Public Representative also questions the Postal Service's calculation of economic savings, stating that, with varying data arrangements on the new forms, some figures do not add up. Some figures are for a 10-year period and others are for a 1-year period without supporting explanation. *Id.* at 3. She objects to the Postal Service's inclusion of a full-time postmaster's salary and benefits to calculate economic savings while it employs a part-time PMR at a lower salary. *Id.* She concludes that the facts presented seem arbitrary and recommends a remand of the Final Determination. *Id.* at 4.

V. COMMISSION ANALYSIS

The Commission's authority to review post office closings is provided by 39 U.S.C. § 404(d)(5). That section requires the Commission to review the Postal Service's determination to close or consolidate a post office on the basis of the record that was before the Postal Service. The Commission is empowered by section 404(d)(5) to set aside any determination, findings, and conclusions that it finds to be (a) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; (b) without observance of procedure required by law; or (c) unsupported by substantial evidence in the record. Should the Commission set aside any such determination, findings, or conclusions, it may remand the entire matter to the Postal Service for further consideration. Section 404(d)(5) does not, however, authorize the Commission to modify the Postal Service's determination by substituting its judgment for that of the Postal Service.

A. Notice to Customers

Section 404(d)(1) requires that, prior to making a determination to close any post office, the Postal Service must provide notice of its intent to close. Notice must be given 60 days before the proposed closure date to ensure that patrons have an opportunity to present their views regarding the closing. The Postal Service may not take any action to close a post office until 60 days after its determination is made available to persons served by that post office. 39 U.S.C. § 404(d)(4). A decision to close a post office may be appealed within 30 days after the determination is made available to persons served by the post office. 39 U.S.C. § 404(d)(5).

The record indicates the Postal Service took the following steps in providing notice of its intent to close. On September 6, 2011, the Postal Service distributed questionnaires to customers regarding the possible change in service at the Santa Fe post office. Final Determination at 2. A total of 77 questionnaires were distributed to delivery customers. Other questionnaires were made available at the retail counter. A total of 24 questionnaires were returned. On September 15, 2011, the Postal Service held a community meeting at the Santa Fe Community Hall to address customer concerns. Thirty-four (34) customers attended. *Id.*

The Postal Service posted the proposal to close the Santa Fe post office with an invitation for comments at the Santa Fe, Paris, and Perry post offices from August 29, 2011 through October 30, 2011. *Id.* The Final Determination was posted at the Santa Fe, Paris, and Perry post offices from December 12, 2011 through January 13, 2012. Supplemental Filing at 2-3.¹²

The Postal Service has satisfied the notice requirements of 39 U.S.C. § 404(d).

¹² The Administrative Record includes two Final Determinations labeled Item No. 35. The cover sheet of the second copy has round-date stamps evidencing posting for 30 days at the Perry post office. Administrative Record, Item No. 35, .pdf at 257.

B. Other Statutory Considerations

In making a determination on whether or not to close a post office, the Postal Service must consider the following factors: the effect on the community; the effect on postal employees; whether a maximum degree of effective and regular postal service will be provided; and the economic savings to the Postal Service. 39 U.S.C. § 404(d)(2)(A).

Effect on the community. Santa Fe, Missouri is an incorporated community located in Monroe County, Missouri. Final Determination at 5. The community is administered politically by Monroe County. Police protection is provided by the Monroe County Sheriff's Department. Fire protection is provided by the Perry Fire Department. The community is comprised of farmers and those who work in local businesses or commute to work at nearby communities. *Id.* Residents may travel to nearby communities for other supplies and services. *See generally* Administrative Record, Item No. 20 (returned customer questionnaires and Postal Service response letters).

As a general matter, the Postal Service solicits input from the community by distributing questionnaires to customers and holding a community meeting. The Postal Service met with members of the Santa Fe community and solicited input from the community with questionnaires. In response to the Postal Service's proposal to close the Santa Fe post office, customers raised concerns regarding the effect of the closure on the community. Their concerns and the Postal Service's responses are summarized in the Final Determination. *Id.* at 2-5.

Petitioners contend that the small Santa Fe community will suffer if the post office is closed, and that little post offices like Santa Fe represent the courteous faces of the postal system. Booth Petition at 1; Young Petition at 1. The Postal Service responds that residents may continue to meet informally at other locations in town, that service will be courteous and helpful, and that community identity will be preserved by continued use of the Santa Fe name and ZIP Code. Postal Service Comments at 8-9.

The Postal Service has adequately considered the effect of the post office closing on the community as required by 39 U.S.C. § 404(d)(2)(A)(i).

Effect on employees. The Postal Service states that a postmaster and a non-career PMR are currently assigned to the Santa Fe post office. Final Determination at 6. It asserts that after the Final Determination is implemented, the postmaster may be moved to another facility, and the PMR will be separated from the Postal Service if there is no open facility within commuting distance. *Id.*

The Postal Service has considered the possible effects of the post office closing on the postmaster and the PMR, and has satisfied its obligation to consider the effect of the closing on employees at the Santa Fe post office as required by 39 U.S.C. § 404(d)(2)(A)(ii).

Effective and regular service. The Postal Service contends that it has considered the effect the closing will have on postal services provided to Santa Fe customers. Postal Service Comments at 5. The Santa Fe post office provides service to retail customers and 67 delivery customers via a highway contract route. *Id.* at 2. Upon closing the Santa Fe post office, customers may obtain retail services at the Paris post office located 17 miles away and the Perry post office located 11 miles away. Final Determination at 2. Delivery service will continue to be provided by a rural carrier who already delivers around the town through the Paris post office. *Id.*; Administrative Record, Item No. 8 at 2. Closing the Santa Fe post office will not require a change of the community name or ZIP Code. Administrative Record, Item No. 1 (revised) at 1; Item No. 22 at 2; Postal Service Comments at 9; see *also* Final Determination at 5.

Petitioner Booth is concerned about delivery during inclement weather. Booth Petition at 1. For customers choosing not to travel to the Paris post office, the Postal Service explains that retail services will be available from the carrier. Postal Service Comments at 5-6. The Postal Service adds that it is not necessary to meet the carrier for service since most transactions do not require meeting the carrier at the mailbox. For instance, special services may be obtained from the carrier by leaving a note in the mailbox with payment and a receipt can be provided the next delivery day. Also, carriers provide package pickup and delivery service to a customer's designated

location up to 1/2-mile off the line of travel and special provisions are made for hardship cases or special customer needs.¹³ *Id.*

The Public Representative objects to the lack of information regarding post office boxes. The letter initiating the survey for closing the Santa Fe post office listed zero post office box customers at Santa Fe. Administrative Record, Item No. 1. Customer questionnaire responses indicate there are a few post office box customers although some may be general delivery customers.¹⁴ There is also no information in the record about post office box availability at the Paris post office. However, the Postal Service asserts, without citation to the Administrative Record, that post office boxes are available at the Perry post office. Postal Service Comments at 3. No customer, including Petitioner Young who apparently has a post office box, has expressed concern about a lack of available post office boxes at another post office. The Postal Service should ensure that an adequate number of post office boxes will be available at nearby post offices to meet demand.¹⁵

The Postal Service has considered the issues raised by customers concerning effective and regular service as required by 39 U.S.C. § 404(d)(2)(A)(iii).

Economic savings. The Postal Service estimates first-year savings of \$30,492. Administrative Record, Item No. 8 (revised) at 1. It derives this figure by summing the following costs: building maintenance (\$0), utilities (\$1,189), transportation (\$-4,984), EAS craft and labor (\$31,389), contracts (\$198), and rent (\$2,700). *Id.* The Postal Service also provides a 10-year net present value savings estimate of \$246,954, based on a discount rate of 5.375 percent. *Id.*; Final Determination at 6.

¹³ Alternatively, for retail services, customers may travel to the Perry post office, 6 miles closer to the Santa Fe post office than the Paris post office.

¹⁴ *Id.*, Item No. 10, .pdf at 70, 79, 82, 84, 118; see also PR Comments at 3 n.6. Also, Petitioner Young has a Santa Fe post office box address.

¹⁵ See Docket No. A2012-2, Order No. 1167, Order Affirming Determination, January 24, 2012 at 9-10; Docket No. A2011-98, Order No. 1137, Order Affirming Determination, January 17, 2012; Docket No. A2011-75, Order No. 1114, Order Affirming Determination, January 9, 2012 at 9; Docket No. A2011-66, Order No. 1107, Order Affirming Determination, January 5, 2012 at 8.

Petitioners question whether closing such a small post office will result in meaningful cost savings for the Postal Service. Booth Petition at 1; Young Petition at 1. The Postal Service responds that the cost savings are significant to the overall cost reduction focus of the Postal Service where savings added together can make a difference. Postal Service Comments at 9-10. The Public Representative questions the Postal Service's calculation of economic savings, stating that the Postal Service has used figures for a full-time postmaster's salary and benefits, while it employs a part-time PMR at a lower salary. PR Comments at 3.

The record indicates the postmaster position is not vacant. A postmaster relief is also assigned to the post office. Final Determination at 6. The postmaster may be assigned to another facility, while the PMR will be separated if there is no open facility within driving distances. *Id.* at 5-6. The economic savings calculation utilizes actual FY 2010 salaries and benefits expended at the Santa Fe post office for the postmaster/installation manager.¹⁶ Comparing the existing and proposed craft and labor rates, the record supports the Postal Service's estimated savings from closing the Santa Fe post office.¹⁷

The Postal Service has satisfied the requirement that it consider economic savings as required by 39 U.S.C. § 404(d)(2)(A)(iv).

VI. CONCLUSION

The Postal Service has adequately considered the requirements of 39 U.S.C. § 404(d). Accordingly, the Postal Service's determination to close the Santa Fe post office is affirmed.¹⁸

¹⁶ See Administrative Record, Item No. 8, .pdf at 29, 33-34.

¹⁷ As noted, the Postal Service used its new Handbook 101 procedures in this case. The cost estimates (Administrative Record, Item No. 8 (revised)) are compiled on a summary sheet. The record includes backup data in support of the cost estimates.

¹⁸ See footnote 4, *supra*.

It is ordered:

The Postal Service's determination to close the Santa Fe, Missouri post office is affirmed.

By the Commission.

Shoshana M. Grove
Secretary

Commissioner Hammond not participating.

DISSENTING OPINION OF CHAIRMAN GOLDWAY

While I agree with the separate view of my colleague Vice Chairman Langley and would remand for the reasons she expresses, I also have an additional concern regarding the Postal Service's economic calculation.

The Postal Service presents a 10-year savings estimate in the Final Determination portion of the Administrative Record. At this time, the Commission's staff is unable to replicate the Postal Service's savings calculations because they do not have financial spreadsheets, only hardcopy documents.

The Postal Service relies on a discounted cash-flow model traditionally used to estimate the return on an investment in plant and equipment to calculate the economic savings associated with the closing of a post office. In the traditional model, the expected cash flows from making such an investment for a specified period of time are then discounted to the present using a discount (*i.e.*, a net present value) factor—usually an interest rate for a comparable alternative investment.

In the case of post offices, the Postal Service relies on cash-outflows and inflows that would no longer occur after the closing for the following activities: Building Maintenance, Utilities, Transportation, EAS Craft & Labor, Contracts, and Rent. While the Administrative Record is incomplete for these activities, those cash flows appear to be adjusted for inflation over the next 10 years. It appears that the Postal Service then applies a discount factor to the total for each year, which is then summed and becomes the Ten-Year Operating Savings reported in the Final Determination.

Without complete information, the Commission cannot determine that the Administrative Record is accurate nor that the Postal Service decision is not arbitrary or capricious.

Furthermore, I am also concerned about the distances between the Santa Fe post office and those that are offered as substitutes. The Santa Fe post office is 17.2 driving miles from the replacement post office in Paris, and 11.1 driving miles from the Perry post office. Last week, the United States Senate passed legislation that limits the closure of post offices that are more than 10 miles apart in rural areas. The Postmaster General has informed the Commission that he expects to find other ways to serve such distant post offices rather than close them altogether. This closing should be reconsidered within the context of the policies now being developed regarding distant rural post offices.

Moreover, the Postal Service recently announced a moratorium on post office closings. It is confusing and perhaps unfair to require some citizens whose post offices have received a discontinuance notice as of December 12, 2011 to gather evidence and pursue an appeal to the Commission, while others whose post offices were in the review process, but had not yet received a discontinuance notice by December 12, 2011, have the respite of a 5-month moratorium and the opportunity to have further consideration of alternatives by the Postal Service.

The citizens of Santa Fe, Missouri and their concerns regarding the loss of a neighborhood post office should be afforded the same opportunity to be heard and considered as the citizens of the approximately 3,700 post offices fully covered by the moratorium.

Ruth Y. Goldway

DISSENTING OPINION OF VICE CHAIRMAN LANGLEY

The Postal Service did not adequately consider the economic savings as required by 39 U.S.C. § 404(d)(2)(A)(iv). The Postal Service should take into consideration that a postmaster is currently in charge of the Santa Fe post office and may be relocated to another facility. Final Determination at 6. The estimated economic savings should not include the postmaster's compensation since that cost will not be eliminated upon closing of the Santa Fe post office.

In addition, the Postal Service indicates that the discontinuance process for the Santa Fe post office was conducted using Handbook PO-101, dated July 2011. Postal Service comments at 1 n.1. This appeal reflects the new post office closing evaluation procedures implemented by the Postal Service last summer. As I have previously stated, the information provided under the new process differs in some important respects from that provided under the pre-existing process. For example, PS Form 4920 is revised and omits information relevant to the facility, *e.g.*, monthly rent, duration of the lease, existence of a termination provision, the number of available post office boxes at the replacement post office, if there are any postage meter or permit customers, and the type of delivery customers being served. In my view, both the Postal Service and the public would be better served if the Postal Service would make PS Form 4920 more inclusive.

Similarly, the Administrative Record also includes a new methodology for calculating the estimated savings for the discontinuance of the Santa Fe post office. The data are presented in a new way, resulting in estimated 1-year operating savings and estimated 10-year net present value operating savings. See Administrative Record, Item No. 8, Financial Worksheet. While some support is provided for these estimates, the Postal Service must ensure that figures relied upon are properly supported on the record.

On numerous occasions, I have emphasized the need for savings to be accurately reflected. For the Commission to determine if the Postal Service has truly considered the economic savings, it would be beneficial for the Postal Service to provide an explanatory statement in support of its estimates. As a government entity, the Postal Service should ensure that its cost/benefit analysis accurately identifies capturable cost savings and does not overstate savings.

I find that the Administrative Record evidence does not support the Postal Service's decision to discontinue operations at the Santa Fe post office and should be remanded.

Nanci E. Langley